

ESHB 1031 - S COMM AMD  
By Committee on Ways & Means

ADOPTED 04/06/2005

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that:

4 (a) The costs to society of problem and pathological gambling  
5 include family disintegration, criminal activity, and financial  
6 insolvencies;

7 (b) Problem and pathological gamblers suffer a higher incidence of  
8 addictive disorders such as alcohol and substance abuse;

9 (c) Residents of Washington have the opportunity to participate in  
10 a variety of legal gambling activities operated by the state, by  
11 federally recognized tribes, and by private businesses and nonprofit  
12 organizations; and

13 (d) A 1999 study found that five percent of adult Washington  
14 residents and eight percent of adolescents could be classified as  
15 problem gamblers during their lifetimes, and that more than one percent  
16 of adults have been afflicted with pathological gambling.

17 (2) The legislature intends to provide long-term, dedicated funding  
18 for public awareness and education regarding problem and pathological  
19 gambling, training in its identification and treatment, and treatment  
20 services for problem and pathological gamblers and, as clinically  
21 appropriate, members of their families.

22 **Sec. 2.** RCW 43.20A.890 and 2002 c 349 s 4 are each amended to read  
23 as follows:

24 (1) A program for (a) the prevention and treatment of  
25 ((pathological)) problem and pathological gambling; and (b) the  
26 training of professionals in the identification and treatment of  
27 problem and pathological gambling is established within the department  
28 of social and health services, to be administered by a qualified person  
29 who has training and experience in ((handling pathological)) problem

1 gambling (~~(problems)~~) or the organization and administration of  
2 treatment services for persons suffering from (~~(pathological)~~) problem  
3 gambling (~~(problems)~~). The department may contract for any services  
4 provided under the program. The department shall track program  
5 participation and client outcomes.

6 (2) To receive treatment under subsection (1) of this section, a  
7 person must:

8 (a) Need treatment for (~~(pathological)~~) problem or pathological  
9 gambling, or because of the problem or pathological gambling of a  
10 family member, but be unable to afford treatment; and

11 (b) Be targeted by the department of social and health services as  
12 (~~(to be)~~) being most amenable to treatment.

13 (3) Treatment under this section is (~~(limited to)~~) available only  
14 to the extent of the funds appropriated or otherwise made available to  
15 the department of social and health services for this purpose. The  
16 department may solicit and accept for use any gift of money or property  
17 made by will or otherwise, and any grant of money, services, or  
18 property from the federal government, any tribal government, the state,  
19 or any political subdivision thereof or any private source, and do all  
20 things necessary to cooperate with the federal government or any of its  
21 agencies or any tribal government in making an application for any  
22 grant.

23 (4) The department of social and health services shall (~~(report to~~  
24 ~~the legislature by September 1, 2002, with a plan for implementing this~~  
25 ~~section)) establish an advisory committee to assist it in designing,~~  
26 managing, and evaluating the effectiveness of the program established  
27 in this section. The committee shall include, at a minimum, persons  
28 knowledgeable in the field of problem and pathological gambling and  
29 persons representing tribal gambling, privately owned nontribal  
30 gambling, and the state lottery.

31 (5) (~~(The department of social and health services shall report to~~  
32 ~~the legislature by November 1, 2003, on program participation and~~  
33 ~~client outcomes.)) For purposes of this section, "pathological~~  
34 gambling" is a mental disorder characterized by loss of control over  
35 gambling, progression in preoccupation with gambling and in obtaining  
36 money to gamble, and continuation of gambling despite adverse  
37 consequences. "Problem gambling" is an earlier stage of pathological

1 gambling which compromises, disrupts, or damages family or personal  
2 relationships or vocational pursuits.

3 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.20A RCW  
4 to read as follows:

5 The problem gambling account is created in the state treasury.  
6 Money in the account may be spent only after appropriation.  
7 Expenditures from the account may be used only for the purposes of the  
8 program established under RCW 43.20A.890.

9 **Sec. 4.** RCW 67.70.340 and 2002 c 349 s 3 are each amended to read  
10 as follows:

11 (1) The legislature recognizes that creating a shared game lottery  
12 could result in less revenue being raised by the existing state lottery  
13 ticket sales. The legislature further recognizes that the two funds  
14 most impacted by this potential event are the student achievement fund  
15 and the education construction account. Therefore, it is the intent of  
16 the legislature to use some of the proceeds from the shared game  
17 lottery to make up the difference that the potential state lottery  
18 revenue loss would have on the student achievement fund and the  
19 education construction account. The legislature further intends to use  
20 some of the proceeds from the shared game lottery to fund programs and  
21 services related to problem and pathological gambling.

22 (2) The student achievement fund and the education construction  
23 account are expected to collectively receive one hundred two million  
24 dollars annually from state lottery games other than the shared game  
25 lottery. For fiscal year 2003 and thereafter, if the amount of lottery  
26 revenues earmarked for the student achievement fund and the education  
27 construction account ((are)) is less than one hundred two million  
28 dollars, the commission, after making the transfer required under  
29 subsection (3) of this section, must transfer sufficient moneys from  
30 revenues derived from the shared game lottery into the student  
31 achievement fund and the education construction account to bring the  
32 total revenue up to one hundred two million dollars. The funds  
33 transferred from the shared game lottery account under this subsection  
34 must be divided between the student achievement fund and the education  
35 construction account in a manner consistent with RCW 67.70.240(3).

1           ~~(3) ((For fiscal year 2003, the commission shall transfer from~~  
2 ~~revenues derived from the shared game lottery to the violence reduction~~  
3 ~~and drug enforcement account under RCW 69.50.520 five hundred thousand~~  
4 ~~dollars exclusively for the treatment of pathological gambling as~~  
5 ~~prescribed by RCW 67.70.350.))~~ (a) The commission shall transfer, from  
6 revenue derived from the shared game lottery, to the problem gambling  
7 account created in section 3 of this act, an amount equal to the  
8 percentage specified in (b) of this subsection of net receipts. For  
9 purposes of this subsection, "net receipts" means the difference  
10 between (i) revenue received from the sale of lottery tickets or shares  
11 and revenue received from the sale of shared game lottery tickets or  
12 shares; and (ii) the sum of payments made to winners.

13           (b) In fiscal year 2006, the percentage to be transferred to the  
14 problem gambling account is one-tenth of one percent. In fiscal year  
15 2007 and subsequent fiscal years, the percentage to be transferred to  
16 the problem gambling account is thirteen one-hundredths of one percent.

17           (4) The remaining net revenues, if any, in the shared game lottery  
18 account after the transfers pursuant to this section shall be deposited  
19 into the general fund.

20           NEW SECTION. Sec. 5. A new section is added to chapter 82.04 RCW,  
21 to be codified between RCW 82.04.220 and 82.04.310, to read as follows:

22           (1) Upon every person engaging within this state in the business of  
23 operating contests of chance; as to such persons, the amount of tax  
24 with respect to the business of operating contests of chance is equal  
25 to the gross income of the business derived from contests of chance  
26 multiplied by the rate of 1.5 percent.

27           (2) An additional tax is imposed on those persons subject to tax in  
28 subsection (1) of this section. The amount of the additional tax with  
29 respect to the business of operating contests of chance is equal to the  
30 gross income of the business derived from contests of chance multiplied  
31 by the rate of 0.1 percent through June 30, 2006, and 0.13 percent  
32 thereafter. The money collected under this subsection (2) shall be  
33 deposited in the problem gambling account created in section 3 of this  
34 act.

35           (3) For the purpose of this section, "contests of chance" means any  
36 contests, games, gaming schemes, or gaming devices, other than the  
37 state lottery as defined in RCW 67.70.010, in which the outcome depends

1 in a material degree upon an element of chance, notwithstanding that  
2 skill of the contestants may also be a factor in the outcome. The term  
3 includes social card games, bingo, raffle, and punchboard games, and  
4 pull-tabs as defined in chapter 9.46 RCW. The term does not include  
5 race meets for the conduct of which a license must be secured from the  
6 Washington horse racing commission, or "amusement game" as defined in  
7 RCW 9.46.0201.

8 (4) "Gross income of the business" does not include the monetary  
9 value or actual cost of any prizes that are awarded, amounts paid to  
10 players for winning wagers, accrual of prizes for progressive jackpot  
11 contests, or repayment of amounts used to seed guaranteed progressive  
12 jackpot prizes.

13 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW  
14 to read as follows:

15 (1) Upon every person engaging within this state in the business of  
16 conducting race meets for the conduct of which a license must be  
17 secured from the Washington horse racing commission; as to such  
18 persons, the amount of tax with respect to the business of parimutuel  
19 wagering is equal to the gross income of the business derived from  
20 parimutuel wagering multiplied by the rate of 0.1 percent through June  
21 30, 2006, and 0.13 percent thereafter. The money collected under this  
22 section shall be deposited in the problem gambling account created in  
23 section 3 of this act.

24 (2) For purposes of this section, "gross income of the business"  
25 does not include amounts paid to players for winning wagers, or taxes  
26 imposed or other distributions required under chapter 67.16 RCW.

27 (3) The tax imposed under this section is in addition to any tax  
28 imposed under chapter 67.16 RCW.

29 **Sec. 7.** RCW 82.04.350 and 1961 c 15 s 82.04.350 are each amended  
30 to read as follows:

31 Except as provided in section 6(1) of this act, this chapter shall  
32 not apply to any person in respect to the business of conducting race  
33 meets for the conduct of which a license must be secured from the horse  
34 racing commission.

1       **Sec. 8.** RCW 82.04.290 and 2004 c 174 s 2 are each amended to read  
2 as follows:

3       (1) Upon every person engaging within this state in the business of  
4 providing international investment management services, as to such  
5 persons, the amount of tax with respect to such business shall be equal  
6 to the gross income or gross proceeds of sales of the business  
7 multiplied by a rate of 0.275 percent.

8       (2) Upon every person engaging within this state in any business  
9 activity other than or in addition to (~~those enumerated in RCW~~  
10 ~~82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,~~  
11 ~~82.04.298, 82.04.2905, 82.04.280, 82.04.2907, 82.04.272, 82.04.2906,~~  
12 ~~and 82.04.2908, and~~) an activity taxed explicitly under another  
13 section in this chapter or subsection (1) of this section; as to such  
14 persons the amount of tax on account of such activities shall be equal  
15 to the gross income of the business multiplied by the rate of 1.5  
16 percent.

17       (3) Subsection (2) of this section includes, among others, and  
18 without limiting the scope hereof (whether or not title to materials  
19 used in the performance of such business passes to another by  
20 accession, confusion or other than by outright sale), persons engaged  
21 in the business of rendering any type of service which does not  
22 constitute a "sale at retail" or a "sale at wholesale." The value of  
23 advertising, demonstration, and promotional supplies and materials  
24 furnished to an agent by his principal or supplier to be used for  
25 informational, educational and promotional purposes shall not be  
26 considered a part of the agent's remuneration or commission and shall  
27 not be subject to taxation under this section.

28       **Sec. 9.** RCW 9.46.071 and 2003 c 75 s 1 are each amended to read as  
29 follows:

30       (1) The legislature recognizes that some individuals in this state  
31 are problem or (~~compulsive~~) pathological gamblers. Because the state  
32 promotes and regulates gambling through the activities of the state  
33 lottery commission, the Washington horse racing commission, and the  
34 Washington state gambling commission, the state has the responsibility  
35 to continue to provide resources for the support of services for  
36 problem and (~~compulsive~~) pathological gamblers. Therefore, (~~at a~~  
37 ~~minimum,~~) the Washington state gambling commission, the Washington

1 horse racing commission, and the state lottery commission shall jointly  
2 develop informational signs concerning problem and (~~compulsive~~)  
3 pathological gambling which include a toll-free hot line number for  
4 problem and (~~compulsive~~) pathological gamblers. The signs shall be  
5 placed in the establishments of gambling licensees, horse racing  
6 licensees, and lottery retailers. In addition, the Washington state  
7 gambling commission, the Washington horse racing commission, and the  
8 state lottery commission may also contract with other qualified  
9 entities to provide public awareness, training, and other services to  
10 ensure the intent of this section is fulfilled.

11 (2)(a) During any period in which section 5(2) of this act is in  
12 effect, the commission may not increase fees payable by licensees under  
13 its jurisdiction for the purpose of funding services for problem and  
14 pathological gambling. Any fee imposed or increased by the commission,  
15 for the purpose of funding these services, before the effective date of  
16 this section shall have no force and effect after the effective date of  
17 this section.

18 (b) During any period in which section 5(2) of this act is not in  
19 effect:

20 (i) The commission, the Washington state horse racing commission,  
21 and the state lottery commission may contract for services, in addition  
22 to those authorized in subsection (1) of this section, to assist in  
23 providing for treatment of problem and pathological gambling; and

24 (ii) The commission may increase fees payable by licenses under its  
25 jurisdiction for the purpose of funding the services authorized in this  
26 section for problem and pathological gamblers.

27 NEW SECTION. Sec. 10. If any provision of this act or its  
28 application to any person or circumstance is held invalid, the  
29 remainder of the act or the application of the provision to other  
30 persons or circumstances is not affected.

31 NEW SECTION. Sec. 11. This act is necessary for the immediate  
32 preservation of the public peace, health, or safety, or support of the  
33 state government and its existing public institutions, and takes effect  
34 July 1, 2005."

**ADOPTED 04/06/2005**

1        On page 1, line 1 of the title, after "gambling;" strike the  
2 remainder of the title and insert "amending RCW 43.20A.890, 67.70.340,  
3 82.04.350, 82.04.290, and 9.46.071; adding a new section to chapter  
4 43.20A RCW; adding new sections to chapter 82.04 RCW; creating a new  
5 section; providing an effective date; and declaring an emergency."

EFFECT: The share of problem gambling funding from the Washington State Lottery will be funded from a transfer from net receipts of the shared game lottery instead of a transfer of moneys allocated by statutory formula to assist in paying the debt service of the Mariners stadium.

A provision is added clarifying that the "gross income of the business" for horse racing does not include amounts paid for winning wagers, or taxes and distributions required by the horse racing statutes.

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